



DEFERMENT

Definition: Authorized period when payments on a Federal Family Education Loan Program (FFEL) Program loan cease.

Grace period must be used first. If the borrower requests deferment and is eligible, the borrower is entitled to the deferment, and the lender must grant it.

Regulations provide for deferment eligibility of a defaulted borrower up to the payment of a default claim [up to the scheduling of a default claim payment for the Missouri Student Loan Program (MSLP)], if the borrower makes payment arrangements that are acceptable to the lender.

Periods of authorized deferment are not included when calculating the length of the repayment period.

Subsidized Federal Stafford Loans are eligible for interest benefits during deferred periods. Unsubsidized Federal Stafford Loans, Federal Parent Loans for Undergraduate Students (PLUS) loans, and Federal Supplemental Loans for Students (SLS) loans are not eligible for interest benefits.

* **Higher Education Amendments of 1998**

Previously, “new” borrowers July 1, 1997 through June 30, 1993 who were attending school at least half time but not full time were required to obtain a new loan for the period of enrollment for which an in-school deferment was requested. The Higher Education Amendments rescinded this requirement, notwithstanding the terms of such a borrower’s promissory note that may state otherwise. New borrowers July 1, 1997 through June 30, 1993 are not required to obtain a new loan in order to qualify for an in-school deferment.

Note: “Old” borrowers (prior to July 1, 1987) are not eligible for an in-school deferment unless the borrower is attending school on a full-time basis.

See *Common Manual* subsection 7.9.A. for more information concerning the aforementioned borrower eligibility categories.

Backdating of Deferments

All deferments may be backdated six months from the date the lender receives documentation substantiating the borrower’s eligibility for the deferment, providing the condition that makes the borrower eligible for deferment existed at that time.

First Payment Due Date

After the expiration of a deferment, the first payment due date must be no later than 45 days after the deferment ends.

Federal Family Education Loan Program

Deferments for: subsidized Federal Stafford Loans
 unsubsidized Federal Stafford Loans
 Federal SLS loans (made before 07/01/94)

Deferment Type:	Time Limit:	APPLICABLE FORM NAME		
		Prior to 07/01/87:	07/01/87 to 06/30/93:	After 07/01/93:
Full-time Student	N/A	SCH	SCH	New EDU
Half-time Student	N/A	N/A	SCH	New EDU
Graduate Fellowship	N/A	EDU	EDU	New EDU
Rehabilitation	N/A	EDU	EDU	New EDU
Armed Forces	3 yrs	PUB	PUB	N/A
NOAA	3 yrs	N/A	PUB	N/A
Peace Corps	3 yrs	PUB	PUB	N/A
ACTION Programs	3 yrs	PUB	PUB	N/A
Temporary Disability	3 yrs	DIS	DIS	N/A
Tax-exempt Organization	3 yrs	PUB	PUB	N/A
Teacher Shortage	3 yrs	N/A	EDU	N/A
Economic Hardship	3 yrs	N/A	N/A	New HRD
Unemployment	2 yrs	UNEM	UNEM	N/A
Unemployment	3 yrs	N/A	N/A	UNEM
Internship/Residency	2 yrs	EDU	EDU	N/A
Working Mother	1 yr	N/A	FAM	N/A
Parental Leave	6 mos	FAM	FAM	N/A

Federal Family Education Loan Program

Deferments for: Federal PLUS loans

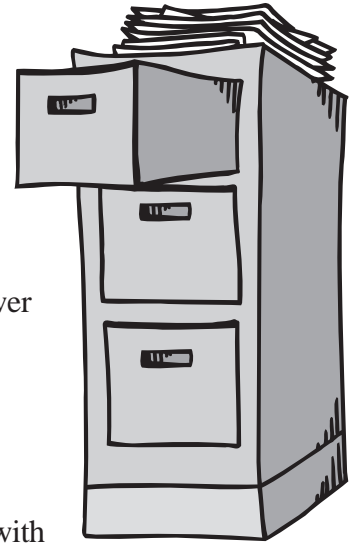
Deferment Type:	Time Limit:	APPLICABLE FORM NAME			
		Prior to 08/15/83:	08/16/83 to 06/30/87:	07/01/87 to 06/30/93	After 07/01/93:
Full-time Student	N/A	SCH	SCH	SCH	New EDU
Half-time Student	N/A	N/A	N/A	SCH	New EDU
Graduate Fellowship	N/A	EDU	EDU	EDU	New EDU
Rehabilitation	N/A	EDU	EDU	EDU	New EDU
Armed Forces	3 yrs	PUB	N/A	N/A	N/A
Peace Corps	3 yrs	PUB	N/A	N/A	N/A
ACTION Programs	3 yrs	PUB	N/A	N/A	N/A
Temporary Disability	3 yrs	DIS	DIS	DIS	N/A
Tax-exempt Organization	3 yrs	PUB	N/A	N/A	N/A
Economic Hardship	3 yrs	N/A	N/A	N/A	New HRD
Unemployment	2 yrs	UNEM	UNEM	UNEM	N/A
Unemployment	3 yrs	N/A	N/A	N/A	UNEM
Internship/Residency	2 yrs	EDU	N/A	N/A	N/A

For a new borrower on or after 07/01/93, the **FEDERAL PLUS LOAN BORROWER** must meet the eligibility criteria. Prior to 07/01/93, the parent borrower could defer based on the student's eligibility.

Deferment form samples may be found in *Common Manual* Appendix F.

02/99

Common Deferment Form Tidbits



- ▼ **Responsibility for distribution:** Lenders must send forms to a borrower who requests a deferment. Schools are not required to maintain a supply of the forms nor distribute forms.
- ▼ **Cut-off date for receipt of old forms:** None.
The U.S. Department of Education does not wish to burden borrowers with completing multiple forms.
- ▼ Lenders and servicers may create electronic versions of the common deferment forms.
- ▼ The DIS form may also be used to cancel a loan for permanent and total disability.
- ▼ **Unemployment deferments:** A borrower must normally certify that he or she has made a conscientious search for full-time employment during the preceding six months.

Exception: Borrowers are not required to make this certification for the initial period of unemployment.

The “initial period of unemployment” **COULD** occur more than once during the life of a loan.

Item 13

on the 94/95 Application and Promissory Note

If a student requests deferment on Item #13:



The lender can grant deferment only on the loans in repayment that it holds.



Loans in repayment may be deferred for full-time students through the anticipated graduation date (AGD).



Although a borrower may request a deferment, not every borrower is eligible!

QUESTIONS AND ANSWERS

QUESTION: If a borrower verbally requests an in-school deferment, may the lender note the system and grant the deferment based on enrollment verification from the school?

ANSWER: Lenders may grant in-school deferments based on a verbal request and enrollment information received from the school. A guaranty agency may pay claims based on the lender's note of the request in the core history.

SOURCE: Letter from the U.S. Department of Education (USDE) Policy Division dated August 31, 1994
National Council of Higher Education Loan Programs (NCHELP) Standardization Training handout dated June 15, 1994

☛ Higher Education Amendments of 1998

A lender may grant an in-school deferment through the anticipated graduation date (AGD) for students attending school at least half time based on the receipt of any one of the following:

- A request for deferment from the borrower and documentation of the borrower's eligibility for the deferment
- A newly completed loan application that documents the borrower's eligibility for a deferment
- Student status confirmation information received by the lender that the borrower is enrolled on a half-time basis

When the lender grants an in-school deferment based on a newly completed loan application or student status confirmation information, the lender is required to notify the borrower that:

- The deferment has been granted, and
- The borrower has the option to continue paying on the loan

QUESTION: A school certifies a common deferment form for one term only, but the lender has documentation that the AGD is farther in the future than the end date on the deferment form. If the borrower is eligible, may the lender grant the deferment through the AGD?

ANSWER: Yes. Half-time borrowers who received their first loan on or after July 1, 1987 and all full-time borrowers are eligible to have a deferment granted through the AGD. The source of the AGD may be a new application, the deferment form itself, the National Student Loan Clearinghouse, or the guarantor (MSLP's Lender Activity Report transaction 210).

Note: The MSLP requires the lender to obtain written confirmation of a new or changed out-of-school date. The lender may accept the written report of an out-of-school date from a source other than the school if the school is clearly identified as the contributor of the information, and a school certification date is provided.

SOURCE: NCHelp Standardization Training handout dated June 15, 1994
Letter from the USDE Policy Division dated August 24, 1994
☛ Higher Education Amendments of 1998
MSLP guarantor-specific policy in *Common Manual* Appendix C

QUESTION: A full-time borrower requests an in-school deferment in item 13 on the common application, or item 13E on the Federal Stafford Loan Master Promissory Note. The school lists the AGD as May 15, 1998. If the lender receives a new AGD of December 10, 1998, can the lender extend the deferment for the additional seven months? Or must the borrower and the school complete a deferment form for May 15 through December 10?

ANSWER: The lender may extend the deferment if the borrower is eligible.

SOURCE: Letter from the USDE Policy Division dated August 24, 1994

QUESTION: The lender is allowed to grant an initial unemployment deferment of six months without documenting that the borrower has made attempts to secure employment. What is the definition of “initial”?

ANSWER: An initial period of unemployment may occur more than once during the life of a borrower’s loans if the borrower does not continuously receive the deferment. The borrower must document that he or she has contacted employers only for renewal certifications for continuous periods of an unemployment deferment.

SOURCE: Letter from the USDE Policy Division dated June 18, 1994

QUESTION: In the physician’s section of the DIS form, which fields must be completed for the temporary disability versus the permanent disability?

ANSWER: If the temporary box is marked, the only fields that must be completed are the condition begin date and the expected end date. The physician is still required to sign and date the form and to provide his or her address. The physician is not required to provide the diagnosis or prognosis information under the permanent disability box.

If the permanent box is marked, the physician must complete everything below the box. The physician should not complete the temporary disability dates.

QUESTION: If a borrower consolidates subsidized loans with Federal SLS loans and/or unsubsidized Stafford Loans, is the Federal Consolidation Loan eligible for interest subsidies during periods of deferment?

ANSWER: Yes. For applications received by the consolidating lender on or after November 13, 1997, the borrower is eligible for interest subsidy on the portion of a FFEL Program Consolidation Loan that repaid subsidized Federal Stafford Loans and subsidized Federal Direct Loans.

SOURCE: Emergency Student Loan Consolidation Act
☛ Higher Education Amendments of 1998

FORBEARANCE

Definition: Permitting the temporary cessation of payments, allowing an extension of time for making payments or accepting smaller payments than were originally negotiated. The accruing interest is the borrower's responsibility.

Usage:

Forbearance may be granted, at the lender's discretion, when a borrower is **willing** but unable to make required payments.

A lender may grant forbearance for a period of up to one year at a time, as long as the lender complies with these requirements:

1. The lender states in writing the belief that the borrower intends to repay the loan, but is currently unable to do so, and maintains such statement on file
2. The borrower and authorized official of the lender must sign a written agreement of forbearance
3. If the agreement between the borrower and lender provides for postponement of all payments, the lender shall contact the borrower at least every three months during the period of forbearance to remind the borrower of the outstanding obligation to pay
4. If the agreement between the borrower and the lender provides for a reduced monthly payment amount, the payment must be large enough to pay the interest

Collection of Interest:

Interest charges should normally be paid during the forbearance period. If payments of interest are forborne, they should be added to the principal amount of the loan obligation on the date that repayment resumes or at the end of the period of forbearance.

THE NEXT PAYMENT DUE DATE MUST BE SET NO LATER THAN 45 DAYS AFTER THE END OF A FORBEARANCE.

See *Common Manual* subsections 7.11 - 7.11.K. for more information concerning forbearance processing.

ADMINISTRATIVE FORBEARANCE

Definition: Forbearance that may be granted by the lender without the borrower's written request in the following instances:

- When a borrower is delinquent at the time a deferment is granted
- When a borrower is delinquent at the end of a deferment or mandatory forbearance, until the next payment due date is established
- When the lender properly grants a deferment and later learns the borrower did not qualify
- When a borrower is less than 60 days delinquent at the time of a loan sale
- When the lender receives late notification of an out-of-school date
- When the lender receives notice of a new out-of-school date that is earlier than the out-of-school date originally used by the lender for repayment conversion
- For the delinquency preceding a bankruptcy filing
- For the period of time needed for the U.S. Department of Education (USDE) or the Missouri Student Loan Program (MSLP) to determine eligibility for discharge due to closed school or false certification
- For no more than 60 days while the lender awaits confirmation of death or permanent and total disability
- For the purpose of aligning the repayment on a Federal Supplemental Loans for Students (SLS) loan that is not eligible for deferment, and/or on a Federal Stafford Loan through the grace period on the borrower's current Federal Stafford Loan(s)
- For a summer bridge deferment extension when the lender later learns that the borrower did not re-enroll

* **Higher Education Amendments of 1998**

- For no more than 60 days following the borrower's request for deferment, forbearance, loan consolidation, or a change in repayment plans in order to collect or process appropriate supporting documentation related to the borrower's request. During this period, interest that accrues must not be capitalized.

The borrower is required to be notified in all instances.

See *Common Manual* subsection 7.11.B. for more information on administrative forbearances.

Mandatory Forbearance

* **Higher Education Amendments of 1998**

A borrower is no longer required to request a mandatory forbearance in writing.

This type of forbearance **MUST** be granted upon request and submission of any required documentation by specific groups of persons identified by regulations, including medical/dental interns and residents, and borrowers in repayment on Title IV loans whose monthly payments equal or exceed 20 percent of their total monthly income.

See *Common Manual* subsection 7.11.C. for more information on mandatory forbearances, including documentation requirements and additional mandatory forbearance eligibility categories.

Mandatory Administrative Forbearance

This type of forbearance must be granted upon a directive of the USDE for the period of time specified by the USDE. Lenders cannot require a written request from the borrower. Events that the USDE may consider grounds for granting mandatory administrative forbearance include military mobilization and national emergency. Mandatory administrative forbearance must be granted when a standard, graduated, or income-sensitive repayment schedule does not permit the loan to be repaid within the ten-year maximum. The lender must grant forbearance not to exceed three years for standard or graduated payment schedules or five years for the income-sensitive payment schedule. Regulations provide for mandatory administrative forbearance in the case of natural disaster; however, the USDE has issued the following guidance concerning administration of such cases.

Federal Disaster Area Designation

In cases of federally-declared disaster areas, lenders are *strongly encouraged* (not required) to grant administrative forbearance to borrowers who contact them and indicate they have been adversely affected by the disaster and need temporary relief from their loan obligations. If the holder believes the borrower has been harmed and needs assistance, the holder may grant no more than three months of administrative forbearance based on either the borrower's oral or written request for assistance. The borrower's request must be documented in the lender's records. The lender does not need to obtain supporting documentation or a signed written agreement from the borrower to justify a forbearance for the initial three-month period. However, a continuation of the forbearance beyond the initial three-month period requires supporting documentation and a written agreement from the borrower and is granted at the lender's discretion.

Guidance on the application of forbearance in the case of natural disaster and the specific areas that have been designated as qualifying for relief are found in the USDE Disaster Letters.